

**GOVERNMENT OF TAMIL NADU  
COMMERCIAL TAXES DEPARTMENT**

**OFFICE OF THE COMMISSIONER OF COMMERCIAL TAXES  
EZHILAGAM, CHENNAI-600 005**

**PRESENT: DR. T.V. SOMANATHAN, I.A.S.,  
COMMISSIONER OF COMMERCIAL TAX**

**Circular No. 11(2017)/2019-TNGST**

**Dated: 28.03.2019**

RC No.085/2017/A1/Taxation)

<b><u>Sub:</u></b>	Clarification on refund of unutilized input tax credit of GST paid on inputs in respect of exporters of fabrics – Regarding.
<b><u>Ref:</u></b>	Govt. of India, Department of Revenue, Tax Research Unit, Circular No.18/18/2017-GST, dated 16.11.2017.

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Doubts have been raised regarding the restrictions of refund of unutilized input tax credit of GST paid on inputs to manufacturer exporters of fabrics [falling under chapters 50 to 55 and 60 and headings 5608, 5801, 5806] under GST.

2.1 The matter has been examined. In this context, subsection 3 of section 54 of the TNGST Act, 2017 provides as under:

“(3) Subject to the provisions of sub-section (10), a registered person may claim refund of any unutilized input tax credit at the end of any tax period:

Provided that no refund of unutilized input tax credit shall be allowed in cases other than

- (i) Zero rated supplies made without payment of tax;
- (ii) Where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outputs supplies (other than nil rate or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendations of the Council.

2.2 Based on the recommendations of the GST Council, Notification No.II(2)/CTR/532(d-8)/2017 dated 29.06.2017 published in Tamil Nadu Govt. Gazette No.202 dated 29<sup>th</sup> June,2017 [as amended from time to time] has been issued under clause (ii) of the proviso to sub-section (3) of section 54 of the TNGST Act, 2017 restricting refund of unutilized input tax credit of GST paid on inputs in respect of certain specified goods, including input tax credit of GST paid on inputs.

2.3 However, the aforesaid notification having been issued under clause (ii) of the proviso to sub-section (3) of section 54 of the TNGST Act, 2017, restriction on refund of unutilized input tax credit of GST paid on inputs will not be applicable to zero rated supplies, that is (a) exports of goods or services or both; or (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone Unit.

2.4 Accordingly, as regards export of fabrics it is clarified that, subject to the provisions of sub-section (10) of the section 54 of the TNGST Act, 2017, a manufacturer of such fabrics will be eligible for refund of unutilized input tax credit of GST paid on inputs (other than the input tax credit of GST paid on capital goods] in respect of fabrics manufactured and exported by him.

3. This pari materia circular is issued with reference to the circular issued by the Government of India on the recommendation of the GST Council in the reference cited.

Sd/-T.V.Somanathan  
Commissioner of State Tax

To  
All the Joint Commissioners (ST) Territorial and Enforcement in the State.

- Copy to: (1) Principal Secretary to CT& Regn. Department.  
(2) All Additional Commissioners of State Tax in the Commissionerate.  
(3) Joint Commissioner (CS) for hosting in Departmental site.  
(4) All Deputy Commissioners (ST) in the State.  
(5) All Heads of Assessment Circle in the State.